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CALIFORNIA COMPUTER AUCTIONS NO BOON FOR BARGAIN HUNTERS

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TEXT: Sep. 13--It's crunch time at the computer auction, and among the bargain hunters, the gloom is as thick as a bad software manual.

Already, a used 486 machine sold for almost as much as a freshly minted model. Printers have proven surprisingly dear. And from somewhere in the sea of folding chairs on the Santa Clara Convention Center floor, an eager buyer has just pushed the price of high-capacity disk drives to \$500 - exactly what they sell for at the discount store across town.

By the time a 20-unit lot of Dell 486 tower computers comes onto the block, most bidders have abandoned hope of walking away with a steal. So when Gene Simmons manages to snag one for \$1,300, he's more than a little pleased.

Had he bought at a store, "I would have expected to pay about \$2,400," says Simmons, who drove the 80 miles from Modesto in search of a cheap computer for his small company. "This is a good way to get one and save a few bucks."

Ring up another sale for the latest trend in computer retailing - the public auction. Once a stigma-laden event confined to bankrupt companies, auctions slowly are becoming an acceptable and profitable way for computer manufacturers and distributors to sell off surplus inventory.

Auction houses credit a combination of the technology industry's many restructurings and a cut-throat computer market where prices seem to fall almost by the day. In addition to a regular flow of used machines from corporate liquidations, they are handling an increasing amount of refurbished, returned and even new machines from companies eager to empty their warehouses of anything that can be turned into cash.

"Holding inventory in a declining market makes no sense whatsoever," said

Kirk Dove, president of Foster City-based Ross-Dove Co., which holds 30 to 50

computer auctions a year. "The game has changed. They are seeking other (sales) channels, and auctions make sense to them."

Companies that recently have placed products under the gavel include Compaq, Dell, Acer Inc. and AST Research, which auctioned off more than 2,000

returned and demonstration models in July. The event was so successful that AST has planned two more auctions this month in Boston and Chicago.

"We were very happy with the results," said Michele Carr, who is responsible for finding new sales avenues for the Irvine-based manufacturer.

"It's a good way for us to move our product and expand our customer base."

Paradoxically, the key to the strategy is the penny-pinching consumer,

some of whom are willing to take a day off work in hopes of getting a garage sale-sized discount on the latest computer hardware. In their quest for bargains, they regularly bid well above the wholesale price, allowing a company to unload hundreds of hard-to-sell machines at a handsome profit - even after the auction firm's fees are figured in.

Auctioneers estimate a savvy bidder can reasonably expect to save 10 percent to 20 percent below retail. But auctions also attract inexperienced buyers who tend to overbid in the heat of competition, only to discover they've paid a premium for their prize.

"I sometimes wonder if they are insane," said Michael P. Schlein, who frequents computer auctions as facility manager for the Sequoia Institute in

Fremont. "You don't want to come here being a novice. They don't shop, they don't know what the price is. They pay more than the list price at Fry's."

What's more, many auctioned computers are sold as-is, and the opportunity

to inspect and test them before buying can be limited. While some come with warranties, others do not, a fact some bidders fail to compensate for.

"It's buyer beware," said Walt Zemaitis, head of Zemaitis Inc., an auction firm based in Santa Clara. "People have no recourse to go back and say 'This does not work.' There's a big difference between buying close to retail and buying at cost."

And then there are the resellers, who can use the presence of naive consumers to acquire cheap inventory.

Typically, computers are sold in numbered lots, with groups of 10 or 20

identical models coming onto the block sequentially. The high bidder can take

as many as he or she wants, after which other buyers are invited to follow suit.

Often, however, the high bidder is an individual interested in a single

machine. If there are no other buyers at that price, the auctioneer will re-

open bidding with the condition that the winner take the balance of the lot.

Private bidders - unable to match the original high bid or buy in quantity -

are left on the sidelines, allowing a reseller to swoop in and purchase the remaining machines at a true discount.

"There are people out there that write you two and three million dollar checks and they are in Levis and T-shirts and (carrying) a portable phone," Zemaitis said.

Both the promise and the pitfalls of buying a computer at auction

were on
clear display at last month's Ross-Dove auction in Santa Clara. After
watching the action for a few hours, Grace Stewart and Bill Melcher
abandoned
hope of getting what they came for - a cheap Apple Powerbook.

"People are bidding way too high," complained Stewart. "I can't
fathom
it. I can only assume it's not their money or they're dumb."

On the other side of the auction floor, however, Pat Firestone and
Pat
Canning were feeling pretty smart. They calculated their \$1,000 bid saved
them \$300 on an Acros 386 notebook computer - although they were unfamiliar
with the brand.

"It's a decent price, but not a great price," said Canning. "It beats
mail order."

Behind the couple, shaking his head, was Chester Nimitz, who had
taken a
vacation day from his job at Intel Corp. to attend the auction.

"I like computers and I know what they cost," he said. "I don't see
how
anyone could come away happy. But maybe I'm just too cheap."

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